CALIFORNIA HOUSING FINANCE AGENCY
Mortgage Revenue Bonds

AMENDED NOTICE CONCERNING RECAPTURE

Mortgagor(s):

THIS NOTICE SUPERSEDES ANY PREVIOUS NOTICE ON THIS SUBJECT WHICH WAS PROVIDED TO YOU AT LOAN CLOSING

Your mortgage loan (the "Mortgage Loan") is provided through funds made available by the California Housing Finance Agency (the "Agency"). The Agency obtained these funds by selling tax-exempt bonds (the "Bonds").

By entering into your Mortgage Loan you have undertaken the responsibility of repaying it according to the terms you have agreed to. Under certain circumstances described below, you may incur an additional liability related to your Mortgage Loan with regard to your federal income taxes. Under the Internal Revenue Code of 1986 (the "Code"), this additional tax liability may occur in the year you sell (or otherwise transfer to someone else) the residence that you bought using the Mortgage Loan (the "Residence"), if that sale or transfer occurs within nine years after the date the Mortgage Loan is funded (the "Closing Date"). **You should consult your tax advisor at the time you sell or transfer the Residence to determine the amount, if any, of such tax liability.**

The amount by which your federal income tax would increase (the "Recapture Amount") is calculated using a formula set forth in the Code at Section 143 (m) (4) and (5).

<u>IF YOU SELL THE RESIDENCE MORE THAN 9 YEARS AFTER THE CLOSING DATE, THE RECAPTURE AMOUNT WILL BE ZERO AND YOUR FEDERAL TAXES WILL NOT BE INCREASED AS A RESULT OF THE SALE</u>.

<u>Step 1 – Preliminary Calculation of Maximum Potential Recapture Amount</u>

The maximum potential Recapture Amount applicable for a sale or transfer of the Residence during the nine year period starting on the Closing Date will be $__________ (6.25% times the percentage of the original principal amount of the Mortgage Loan which is attributable to tax exempt financing) multiplied by the percentage specified in the following table for the year in which the sale or transfer occurs:

Time of Sale or transfer (number of years after the Closing Date)		Percentage Multiplier
0-1	(the first year)	20
1-2	(the second year)	40
2-3	(the third year)	60
3-4	(the fourth year)	80
4-5	(the fifth year)	100
5-6	(the sixth year)	80
6-7	(the seventh year)	60
7-8	(the eighth year)	40
8-9	(the ninth year)	20

Step 2 – Calculation of Limitation Based on Income at Time of Sale

To perform Step 2, you will multiply the result from Step 1 by a percentage (the "Income Percentage"). The following paragraph explains how to determine the Income Percentage. IF THE CALCULATION BELOW RESULTS IN A PERCENTAGE GREATER THAN 100%, THE INCOME PERCENTAGE IS DEEMED TO BE (i.e., LIMITED TO) 100%.

To obtain the Income Percentage, you will subtract the applicable "Adjusted Qualifying Income" (shown in the table below) from your "Modified Adjusted Gross Income" (as defined below), and divide the result by $5,000.00. The resulting percentage figure should be rounded to the nearest percentage point (round up if the result is .5 of a percent or more). If your Modified Adjusted Gross Income is less than the applicable Adjusted Qualifying Income, your Income Percentage is zero, and your actual Recapture Amount is zero, resulting in no additional tax liability.

> Your "Modified Adjusted Gross Income" is the adjusted gross income shown on your federal income tax return for the year in which you sell or transfer the Residence, plus any interest received or accrued which is excluded from gross income you received during that year, minus the amount of your gain (generally, the sale price minus your adjusted tax basis for the Residence) from the sale of the Residence included in gross income on your federal income tax return for that year.
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> "Adjusted Qualifying Income" means the amount shown in the appropriate table below opposite the year in which the sale or transfer occurs. You should use the table for the number of persons in your family at the time of the sale or transfer of the Residence.

One or Two Person Family

Year		Adjusted Qualifying Income
0-1	(the first year)	$
1-2	(the second year)	$
2-3	(the third year)	$
3-4	(the fourth year)	$
4-5	(the fifth year)	$
5-6	(the sixth year)	$
6-7	(the seventh year)	$
7-8	(the eighth year)	$
8-9	(the ninth year)	$

Three or More Person Family

Year		Adjusted Qualifying Income
0-1	(the first year)	$
1-2	(the second year)	$
2-3	(the third year)	$
3-4	(the fourth year)	$
4-5	(the fifth year)	$
5-6	(the sixth year)	$
6-7	(the seventh year)	$
7-8	(the eighth year)	$
8-9	(the ninth year)	$

Step 3 - Final Calculation of Limitation Based on Gain From Sale

To make a final determination of your Recapture Amount, you will compare the figure you obtained in Step 2 with an amount equal to fifty percent (50%) of the gain (if any) you realized when you sold or transferred the Residence. The Recapture Amount will be the LESSER of those two figures.

Other Factors Affecting the Recapture Amount

All references in this document to the "sale" or "transfer" of the Residence includes any change in your interest in the Residence, whether by sale, exchange, or some other disposition. If the disposition is not from a sale, exchange, or involuntary conversion (such as the receipt of an insurance payment as a result of destruction of the Residence), the Internal Revenue Service will assume that you sold the Residence at its fair market value at the time of disposition.

If one or more persons besides you are also liable on the Mortgage Loan, each person's Recapture Amount will be determined separately in accordance with their interest in the Residence.

The Recapture Amount may also change if you repay the Mortgage Loan in full during the first four years after the Closing Date and before you dispose of the Residence. In this situation, the calculations stated above will change, and you are advised to consult with your tax advisor.

No Recapture Amount Due

If a fire, storm, or other casualty destroys the Residence completely or partially, resulting in a compulsory or involuntary disposition of the Residence, you will not have to pay the Recapture Amount if you purchase another principal residence on the same site. Such a purchase must be made within two years of the end of the taxable year during which you received insurance compensation or other amounts as a result of the destruction.

You will not pay a Recapture Amount if, as a result of divorce, you transfer the Residence to a spouse or a former spouse. In that event, the Internal Revenue Service will treat your spouse or former spouse as if he or she had been the owner of the Residence from your Closing Date.

No Recapture Amount will be due with respect to the Residence if the Residence is transferred as a result of your death.

This Recapture Notice is provided by the Agency pursuant to Section 143 (m) (7) of the Code.

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